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TREASURY FOR OFFICE OF AFRICAN NATIONS

E.O. 12958: N/A
TAGS: ECON PREL PGOV ELAB PINS GV
SUBJECT: GUINEA'S EXPORT BAN RELAXED

REFS: (A) Conakry 129
(B) Conakry 392

Summary

¶1. (U) In brokering a suspension of the general strike that crippled Guinea beginning in January 2007, the former Guinean government agreed to questionable economic concessions, including a ban on agricultural exports. Initially scheduled to last through December 2007, the export ban has proved unsustainable (Ref A). In a series of recent meetings with the labor unions, the "Patronat" (Guinea's employers union), and an informal council of prominent merchants, the new government negotiated a compromise that relaxes the export ban and generally satisfies all negotiating parties. This revision of the export ban agreement should strengthen economic stability as Guinea begins to respond more to market forces. End Summary.

EXPORT BAN PROVES UNTENABLE

¶2. (U) On January 27, the former government of Guinea, the labor unions, and the Patronat signed a tripartite accord to suspend the general strike then paralyzing the country. That agreement, which still forms part of the underlying deal amongst the parties now that a new government in place, included a ban on export or re-export of fuel and agricultural and seafood products (Ref A). On March 24 and April 12, representatives of the labor unions, the Patronat, and GOHA, Guinea's largest association of private businessmen, met with the new Minister of Commerce, Mamady Traore, and Minister of Agriculture, Mamadou Camara, to discuss a revision of the ban. All parties agreed that the initial benefits of domestic abundance had proved useful during and after Guinea's crises earlier this year. They also agreed that since Guinea is no longer operating in a crisis mode, a longer-term trade strategy is necessary, and the trade ban should be repealed. They disagree on the details of the scope of the export ban repeal and the timeline.

GOVERNMENT AND MERCHANTS AGREE ON FULL REPEAL

¶3. (SBU) On April 16, Econoff spoke with Mohamed Cheriff, president of GOHA. Cheriff said the government representatives share GOHA's opinion that the ban should be completely repealed. Cheriff said the Minister of Commerce was particularly concerned that the export ban breaches ECOWAS, Mano River Union and WTO protocols. Cheriff said union and Patronat representatives understand the larger trade

issues, but feel the "immediate needs of the Guinean people" are more important than any perceived violations of trade accords.

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LABOR UNIONS AND PATRONAT FAVOR GRADUAL REPEAL
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¶4. (SBU) According to Cheriff, representatives of the labor unions and Patronat agreed to again export sweet potatoes, peppers, eggs and certain seafood. They refused to cede products the unions consider "staples of the Guinean people" such as rice, palm oil, beef, poultry, and all other fruits and vegetables. Cheriff said he suspects the Patronat representatives favor full repeal, but are hesitant to counter the unions' position.

GUINEANS SEE NO INCREASED PURCHASING POWER

¶5. (SBU) The unions maintain the export ban is necessary in order to stabilize prices. The Guinean franc (GNF) has maintained its recent gains and has traded near 4000 GNF:1 USD for the past week (Ref B). Although the GNF is valued some 30 percent higher than its average 2006 rate of 5200 GNF:1 USD, average goods in the market are not significantly cheaper throughout the country. Guinea's fertile interior has an abundance of produce, partially because of the export ban, and partially because it is now harvest season for much local produce. Despite this abundance, prices for local produce have not been substantially reduced.

¶6. (U) Imported goods, including most of the commercially available rice, remain expensive because they were purchased in hard currency. Cheriff said consumers understand why foreign goods remain expensive, and grudgingly accept high prices for foreign goods. However, many merchants are at a loss to explain to consumers why domestic goods are not significantly less expensive if the official GNF is truly stronger as the new exchange rate suggests.

COMMENT

¶7. (SBU) By addressing the export ban, the new Guinean government has tackled the issue of economic stability and wisely brought all major players to the negotiating table. The government has allowed the unions who brokered the export ban to follow its repercussions to their logical end, and in doing so garnered their support. While the government is likely mindful of the political clout the unions wield, the approach is reflective of what seems to be this government's general consultative manner. We are not sure if a full repeal of the export ban is imminent, but it is clear the government favors that and may achieve it through political adeptness.

MCDONALD